

Message Text

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ORIGIN EB-07

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FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

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E.O. 11652: N/A

TAGS: EAIR, ID

SUBJECT: CIVAIR: U.S.-GOI CIVAIR NEGOTIATIONS

REF: A) JAKARTA 9932; B) JAKARTA 9883

1. DELAY IN RESPONSE TO SALIM'S JULY 24 LETTER DUE TO UNCERTAINTY SURROUNDING PAN AM OPERATIONS IN INDONESIA AND WESTERN PACIFIC. ALTHOUGH PROBLEMS DISCUSSED AT JUNE 24 MEETING WITH AMBASSADOR (LABOR PROBLEM REGARDING MAINTENANCE OF B-707; PAN AM'S POSSIBLE GREATER USE OF MANILA; U.K.'S RESTRICTIONS ON HONG KONG) CONTINUE UNRESOLVED, SITUATION IS SUFFICIENTLY DEVELOPED TO MODIFY PREVIOUS U.S. PROPOSAL.

2. TEXT OF REPLY TO SALIM LETTER: QUOTE: "I REFER TO YOUR LETTER OF JULY 24 CONCERNING VARIOUS CIVIL AIR MATTERS BETWEEN THE UNITED STATES AND INDONESIA.

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"FOLLOWING A CAREFUL REVIEW OF PAN AMERICAN'S GENERAL

OPERATIONS IN THE WESTERN PACIFIC AND THE ROLE TO BE PLAYED BY CONTINUED U.S. SERVICE TO INDONESIA, THE USG IS PREPARED TO MAKE THE FOLLOWING PROPOSAL: FOR INDONESIA: FOUR FREQUENCIES PER WEEK (NARROW BODIED AIRCRAFT) FROM

INDONESIA TO GUAM-HONOLULU-LOS ANGELES. FOR THE UNITED STATES: FOUR FREQUENCIES PER WEEK (NARROW BODIED AIRCRAFT) FROM LOS ANGELES-SAN FRANCISCO-HONOLULU-GUAM WITH FULL TRAFFIC RIGHTS VIA ONE INTERMEDIATE POINT TO BE SELECTED BY THE AIRLINE FROM THE PHILIPPINES, OR MALAYSIA OR SINGAPORE TO JAKARTA/DENPASAR.

"WE WOULD SUGGEST A TWO YEAR LIMIT TO THE AGREEMENT TO ALLOW BOTH SIDES TO MAKE A TIMELY REVIEW OF THE BALANCE OF BENEFITS THAT HAVE BEEN GENERATED. ALSO, DURING THE FIRST YEAR, PAN AMERICAN WOULD AGREE TO OPERATE ONLY TWO FREQUENCIES TO JAKARTA VIA ONE INTERMEDIATE POINT. IN THE SECOND YEAR, PAN AMERICAN WOULD USE ITS 4 FREQUENCIES WITH THE OPTION TO HAVE 2 OF THE 4 SERVE DENPASAR. AS WE HAVE DISCUSSED IN THE PAST, BOTH COUNTRIES COULD SUBSTITUTE WIDE BODIED AIRCRAFT ON A 2:1 BASIS. CHANGES IN FREQUENCIES AND ROUTES AND THE POSSIBLE ADDITION OF ALL CARGO SERVICE AND A SECOND DESIGNATED AIRLINE BY EITHER COUNTRY WOULD BE DETERMINED BY CONSULTATIONS.

"THIS OFFER MAINTAINS GARUDA'S FREQUENCIES AT FOUR (EQUIVALENT TO 2 DC-10'S) THROUGH TO CONTINENTAL U.S. PAN AMERICAN WOULD DROP ITS REQUESTS FOR THE VALUABLE INTERMEDIATE POINTS, SYDNEY AND HONG KONG, ELIMINATE ITS OPERATION "BEYOND" INDONESIA, AND USE ONLY TWO FREQUENCIES THE FIRST YEAR. THE REQUEST FOR THREE INTERMEDIATE POINTS, ONLY ONE OF WHICH WOULD BE USED DURING ANY ONE TRAFFIC SEASON, WOULD PROVIDE PAN AMERICAN WITH SUFFICIENT FLEXIBILITY TO MEET SHIFTS IN THE MARKET.

"IF THIS PROPOSAL IS ACCEPTABLE TO YOU, THE DEPARTMENT OF STATE WOULD RECOMMEND TO THE CAB THAT GARUDA'S APPLICATION BE APPROVED EXPEDITIOUSLY IN ORDER TO LIMITED OFFICIAL USE

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PERMIT INITIATION OF SERVICE BEFORE THE END OF THIS YEAR. PAN AMERICAN WOULD LIKE TO CONTINUE ITS CURRENT OPERATION THROUGH JANUARY AND ADD, IN THE MEANTIME, ONE FREQUENCY PER WEEK BETWEEN GUAM AND JAKARTA. IN FEBRUARY IT WOULD BE PREPARED TO INAUGURATE SERVICE IN ACCORDANCE WITH THE U.S. PROPOSAL.

"WE BELIEVE OUR OFFER PROVIDES BOTH AN ECONOMIC AS WELL

AS EQUITABLE BASIS FOR THE VIABLE OPERATION OF GARUDA
AND PAN AMERICAN AIRLINES BETWEEN OUR TWO COUNTRIES.
IF ACCEPTABLE, PLEASE NOTIFY US AS SOON AS POSSIBLE IN
ORDER THAT A MODUS VIVENDI MAY BE SIGNED PROMPTLY."
END QUOTE.

3. REASONING BEHIND THIS PROPOSAL STEMS LARGELY FROM
OPTIMISM REGARDING FUTURE DEVELOPMENT OF MANILA AS NEW
HUB OF PAN AM OPERATION IN WESTERN PACIFIC. IF
PHILIPPINE'S NEW "OPEN SKIES" PROGRAM BECOMES A REALITY,
IN FIRST YEAR, PAN AM WOULD OPERATE ONE B-747 VIA
MANILA TO JAKARTA (EQUIVALENT TO 2 NARROW BODIED
FREQUENCIES). QUESTIONABLE FUTURE OF B-707 MAKES
SINGLE FREQUENCY FROM GUAM TO JAKARTA OF LIMITED ECONOMIC
ATTRACTION. U.S.-INDONESIA TRAFFIC WOULD BE ADEQUATELY
SERVED BY FLIGHTS VIA THE PHILIPPINES. USE OF REMAINING
TWO FREQUENCIES IN SECOND YEAR TO DENPASAR OR JAKARTA
WOULD DEPEND ON DEVELOPMENTS IN MARKET. BECAUSE WE
CANNOT BE CERTAIN OF OBTAINING MANILA-JAKARTA RIGHTS
FROM PHILIPPINES, IT IS IMPORTANT TO HAVE SOME FLEXIBILITY
REGARDING INTERMEDIATE POINTS. SINGAPORE-JAKARTA
RIGHTS ARE ALSO BEING NEGOTIATED. PAN AM WOULD LIKE TO
BE ABLE TO SHIFT FLIGHTS BETWEEN MANILA, SINGAPORE AND
KUALA LUMPUR (IN DESCENDING ORDER OF PRIORITY) FROM ONE
TRAFFIC SEASON TO ANOTHER. SYDNEY AND HONG KONG HAVE
BEEN DROPPED FROM ROUTES, IN PART, TO ACCOMMODATE
WISHES OF U.K. AND AUSTRALIAN GOVERNMENTS. HOWEVER,
EMBASSY SHOULD POINT OUT TO INDONESIANS THAT DROPPING
OF SYDNEY, HONG KONG, AND "BEYOND" POINTS FROM U.S.
PROPOSAL IS IMPORTANT CONCESSION TO THEM, AND BALANCES
REQUEST FOR FIFTH FREEDOM TRAFFIC. WE ARE, HOWEVER,
PREPARED CONSIDER ANY REASONABLE GOI COUNTERPROPOSAL
WHICH WOULD FOLLOW GENERAL OUTLINE NOTED ABOVE. KISSINGER
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